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SOVIET BALANCE OF TRADE WITH EASTERN EUROPE

Looking at Soviet trade with Eastern Europe, we can see just how serious the Soviet economic position has become. The trade deficit with Eastern Europe rose to over 4 billion rubles. That explains why the East Europeans, just like their Western counterparts, have ceased shipping to the Soviet Union. In particular imports into the Soviet Union from Hungary fell as they did from Czechoslovakia.

Traditionally the Soviets have had a trade surplus in their dealings with Eastern Europe. The deficit figure for 1989 is a record or close to it. This also explains why the Soviets are so eager to switch on January 1, 1991 to world prices and convertible currencies in their trade relations with Eastern Europe. The Soviets want to adopt world prices because they see themselves as subsidizing Eastern Europe because the prices they charge Eastern Europe for oil and gas are set substantially below world market prices. For the time being, however, it is the East Europeans who are owed money by the Soviets. That is why they are cutting back on their shipments to the Soviet Union. The announcement that the Soviets are cutting back all oil shipments by an additional 10% to 20% above and beyond the already announced cuts for January 1990 suggests that the trading relationship this year has been more contentious than usual.

THE RUSSIANS ARE NOT WILDLY ENTHUSIASTIC ABOUT PRIVATE FARMING

The Soviets have furnished some data on the number of family and private farms. As of April 1, 1990 there were 20,845 private farms in the Soviet Union. That is not exactly an enthusiastic response. What is even more striking, however, is the location of those farmers. The largest number is in the republic of Georgia where there are over twelve thousand, or more than half of the total. The next largest republic in terms of the number of farms is Latvia. Estonia has the third largest. Remember that Estonia has only about a million and half people and Latvia has two and half million. In contrast, in the Russian Republic there are only 240 farmers, despite the size and the number of people. The Ukraine has four family farmers and in Belorussia there are nine. That may all change in the future, but for the time being it suggests that the Slavs in particular are not wildly enthusiastic about the family farm as an institution. It is probably not going to be the main form of agriculture, at least in the Russian republic, for some years to come.

NUMBER OF PRIVATE FARMS BY UNION REPUBLIC AS OF APRIL 1, 1990:	
USSR	20,845
RSFSR	240
Ukraine	4
Belorussia	9
Uzbekistan	857
Kazakhstan	46
Georgia	12,064
Azerbaidzhan	3
Lithuania	543
Moldavia	--
Latvia	5684
Kirghizia	--
Tadzhikistan	--
Armenia	2
Turkmenia	--
Estonia	1393

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SOVIET BALANCE OF TRADE WITH EASTERN EUROPE
1981-1989

(in million rubles)

	Exports from U.S.S.R.									Imports to U.S.S.R.								
	1981	1982	1983	1984	1985	1986	1987	1988	1989	1981	1982	1983	1984	1985	1986	1987	1988	1989
Bulgaria	4375	4885	5511	6124	6435	6788	6276	6094	6171	3697	4288	5053	5608	6040	6191	6552	6873	7307
Czecho-slovakia	4382	5048	5872	6591	6813	6947	6777	6385	6255	4105	4732	5420	6017	6587	6556	6907	6817	6610
GDR	5526	6420	6798	7481	7652	7880	7636	7193	6663	5155	5776	6596	7367	7553	7128	7093	7024	7175
Hungary	3307	3707	4058	4321	4560	4678	4600	4484	4188	3300	3746	4007	4434	4850	4873	5080	4943	4813
Poland	4931	4813	5274	6069	6517	6814	6542	6298	5771	3221	4097	4787	5297	5525	6128	6329	7109	7410
Romania	1779	1424	1640	1807	1949	2823	2539	2344	2681	1673	1683	1665	1755	2277	2415	2347	2431	2489
	24300	26297	29153	32393	33926	35930	34370	32798	31729	21151	24322	27528	30478	32832	33291	34408	34408	35804
Balance of Trade	+3149	+1975	+1625	+1915	+1094	+2639	-38	-2399	-4075									

MARSHALL I. GOLDMAN

Soviets' Mideast benefits

Though most of the news coming out of the Middle East is discouraging, there are some positive aspects. Admittedly it is disappointing that the Arabs seem so reluctant to defend their own rights. But the reaction in the non-Arabic world to the Iraqi invasion of Kuwait is notable for its unanimity. This is probably the first time in the post-World War II era where almost everybody agrees on who the aggressor is and that it should be punished. It is not only unusual to see the United States and Western Europe in such agreement, but that their policies are also supported by the Chinese and the Soviets. In the past, regional upheavals similar to this one, particularly those in the Middle East, have become a spark for yet another Cold War encounter. Now the James Baker and Eduard Shevardnadze joint statement criticizing the Iraqi invasion is proof that the post-Cold War era may really be here.

There is no doubt that Mikhail Gorbachev is sincerely interested in avoiding superpower shouting matches. His earlier actions in cutting back Soviet military and economic aid in Nicaragua, Cambodia, Ethiopia and even Afghanistan are proof of that. He is striving to reduce the Soviet Union's military budget and reduce the size of his armed forces, and that can be done only if the Soviet Union and the West are smiling at one another.

Unlike most of the countries who will have to pay the penalty of higher oil prices for any punishment of Iraq, the Soviets stand to gain materially from what in the old days the Soviets would have called "a principled action."

Remember that the Soviet Union is the world's largest producer of oil as well as a major exporter. Recently the Soviet Union has encountered serious balance-of-payment problems that have led it to sell some of its gold and diamonds – something it usually tries to avoid. In part these ports have fallen by about 12 percent. The drop in oil exports in turn is a consequence of the drop in oil output, which declined 5 percent during the first six months of 1990. That drop has been caused by the increasing disintegration of the Soviet economy.

What could be better for the Soviet Union than a blockade of Iraq and its oil exports and the rise in the world price of oil. A 20 percent increase in the oil price could mean a $5 billion or $6 billion boost to the Soviet Union's hard-currency earning. That is not equal to the record $7 billion trade deficit it incurred last year, but if the Soviets had earned that much extra, they most likely would have been able to pay most of the $3 billion in foreign bills that they have defaulted on. Never in the post-World War II era has the Soviet Union been so far in arrears. It even has a record trade deficit with what used to be the members of the East European bloc.

Though the Soviets have much to gain by joining the United States, there are some costs. Iraq has been one of the Soviet Union's largest purchasers of military equipment. The Iraqis have been paying for this by making oil available in the Soviet Union. Last year that amounted to about $1½ billion. The ban on arms sales to Iraq will also be disruptive to Soviet arms manufacturers, who are already having problems meeting Gorbachev's call for reduced production of arms.

Perhaps it is churlish to calculate the profit and loss from the Soviet Union's new foreign policy. The Soviets properly deserve our applause; it is useful to remember, however, that there are some, especially in the Soviet Ministry of Finance, who are looking forward not only to the new principles but also to an enriched bank account. By doing good, they also expect to do well.

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